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**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

JORDAN LEWANDOWSKI, Individually
and on behalf of all others similarly
situated,

Plaintiff,

v.

TAL EDUCATION GROUP, and
BANGXIN ZHANG,

Defendants.

Case No.: 2:23-cv-01769-MEF-JRA

**AMENDED CLASS ACTION
COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS**

JURY TRIAL DEMANDED

TABLE OF CONTENTS

I. INTRODUCTION	1
II. JURISDICTION AND VENUE	6
III. PARTIES	7
A. Plaintiffs	7
B. Defendants	7
C. Former Employees	8
IV. BACKGROUND	10
A. Chinese Parents Naturally Fear For Their Children’s Future In A Hypercompetitive Educational System.....	10
B. The Chinese Tutoring Industry Grows To Several Hundred Billion Dollars By Stoking Parents’ Fears	12
C. The Chinese Government Promulgates Increasingly Stringent Regulations To Curb The Excesses Of The Afterschool Tutoring Industry	14
D. The Chinese Government Enacts A Sweeping New Law Virtually Outlawing TAL’s Business Model	17
V. TAL CONTINUES TO ENGAGE IN ACADEMIC TUTORING EVEN AFTER THE DOUBLE REDUCTION FORBIDS IT	20
A. Tal Purportedly Ceases After-School Tutoring	20
B. TAL Purportedly Expands Its Enrichment Education Business Line	22
C. TAL’s “Enrichment” Program Is Academic Tutoring By Another Name	23
1. TAL’s “Creative Thinking” Class Is Just A Curricular Math Class	26
2. TAL’s “Humanistic Creation” Class Is Just A Curricular Chinese Class.....	31
3. TAL’s Promotional Materials Brag that TAL’s Courses Cover the Same Material As Academic Courses	34

4. TAL Organizes Classes and Evaluates Candidates In The Exact Way the Chinese Ministry of Education has Characterized As Typical of Academic Tutoring	35
5. TAL Seeks Teachers For Academic Classes and Parents Report They Are Buying Academic Classes From TAL	36
6. Chinese Governments Find TAL In Violation of Double Reduction Requirements 38	
VI. LOSS CAUSATION.....	40
VII. FALSE STATEMENTS	40
VIII. ADDITIONAL FACTS FURTHER PROBATIVE OF SCIENTER.....	54
A. TAL’s Curriculum and Promotional Materials Are Uniform and Created and Approved By Its Beijing Headquarters	54
B. A Media Campaign Called Attention To Academic Courses Disguised As Enrichment Learning.....	56
C. TAL’s Enrichment Segment Is Critical to TAL’s Health and TAL Misleadingly Distances Itself From Its Actions After the CaiLian Report	58
IX. CLASS ACTION ALLEGATIONS	59
X. APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD ON THE MARKET).....	61
XI. COUNT I	63
XII. COUNT II.....	66
XIII. PRAYER FOR RELIEF	67
XIV. JURY TRIAL DEMANDED	67

Lead Plaintiff Xuanjun Meng and named plaintiff Jordan Lewandowski (“Plaintiffs”), individually and on behalf of all other persons similarly situated, by their undersigned attorneys, for their complaint against Defendants (defined below), allege the following based upon personal knowledge as to themselves and their own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through their attorneys, which included, among other things, a review of the Defendants’ public documents, public filings, wire and press releases published by and regarding TAL Education Group (“TAL” or the “Company”), communications with former TAL employees, and information readily obtainable on the Internet. Plaintiffs believe that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

I. INTRODUCTION¹

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired TAL American Depositary Shares (“ADSs”) from January 14, 2022 through March 14, 2023, both dates inclusive (“Class Period”), and held their ADSs until at least March 14, 2023, seeking to recover damages based on Defendants’ violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”).²

¹ ***Unless otherwise noted, all bold and italic emphases are added.*** All dollar amounts are in USD.

² Excluded from the Class are (i) Defendants, (ii) officers and directors of TAL, and any subsidiaries thereof, (iii) the family members, heirs, assigns, and legal representatives of all persons set out in (i) and (ii), and (iv) all entities controlled by the persons set out in (i)-(ii).

2. In July 2021, reacting to the excesses of the after-school tutoring industry—the source of 75-80% of TAL’s revenues—the Chinese government released regulations which, among other things, banned for-profit entities like TAL from engaging in after-school tutoring on academic subjects. Staggered by the blow, TAL placed a bet on expanding an existing line of business, enrichment learning, which the regulations—dubbed the Double Reduction—did not prohibit TAL from running. The bet proved a surprising success, with TAL quickly earning about \$100 million per quarter from the new courses. TAL told investors that these classes complied with the Double Reduction and purported to describe their content (e.g., science and creativity, humanism and aesthetics). Yet the secret to TAL’s success was that its enrichment classes were just old wine in new bottles; TAL had renamed its academic classes without changing their content. Course syllabi show that TAL’s enrichment classes were almost identical to its pre-Double Reduction academic classes and to the academic classes it has continued to teach outside China. They tracked the school curriculum, as TAL’s promotional materials emphasized. On March 14, 2023, Chinese journalists reported TAL’s violations of the Double Reduction, causing its ADS’ price to fall, and damaging investors.

TAL claims to have developed an enrichment learning segment

3. Chinese parents fearful for their child’s future in a hypercompetitive society sought every advantage to increase their chances in make-or-break compulsory schooling and national examinations. Before the Double Reduction, companies like TAL preyed on these anxieties with wall-to-wall advertising suggesting that children would fall behind without after-school tutoring. The result was an arm’s race that left parents paying up to

50% of their discretionary income to send their children to hours and hours of after-school tutoring every week. TAL was an industry leader. Academic subject after-school tutoring accounted for 75-80% of its revenues.

4. From 2018 through 2021, the Chinese government grew increasingly blunt in denouncing the industry and, in July 2021, promulgated regulations that outlawed TAL's business model. The new regulations, dubbed the Double Reduction, among other things prohibited for-profit institutions from engaging in after-school tutoring on academic subjects taught during China's years of compulsory education, kindergarten through Grade 9 ("K-9). It also prohibited tutoring ahead of grade level.

5. With no choice, TAL announced that it would leave the academic subject after-school tutoring business entirely by December 2021, which cessation it confirmed in early January 2022.

6. TAL told investors that it was taking advantage of its brand recognition and expertise to expand its theretofore miniscule enrichment classes segment. The new enrichment classes supplemented TAL's existing enrichment program, which previously only accounted for a few million dollars in revenues.

7. During the Class Period, enrichment classes grew to account for 40% of TAL's revenues, earning almost \$400 million in 2022.

8. In its communications with investors, TAL described the enrichment classes as extracurriculars designed to enhance children's lives and turn them into lifelong learners. For instance, TAL's "Science and Creativity" classes supposedly "guide[] learners through

observation, analysis and application of various scientific phenomena and theories [in order to] develop learners' scientific curiosity and problem-solving capabilities.”

TAL's enrichment classes were no more than renamed academic tutoring classes.

9. TAL's enrichment classes were organized just like school, by grade and student ability level. And far from offering a panoply of classes on different subjects to attract children with different interests, TAL's classes had only type of class per subject. For instance, TAL's class titled *Creative Thinking*, one of only 5 enrichment classes as of April 2022, was just a math class that taught the equivalent year's curriculum.

10. The class syllabi show the classes aped school curriculum with great precision. TAL's Grade 3 *Creative Thinking*, another of the five, covered nearly every goal and topic on the Chinese Ministry of Education's Grade 3 and 4 math curriculum. The *Creative Thinking* syllabi show the classes substantially resembled TAL's pre-Double Reduction math classes—down to using the same math problems—***and*** the math classes TAL continues to teach outside of China. TAL's *Humanistic Creation* classes, a large part of TAL's humanities and aesthetics group, was just a Chinese class (in Chinese education, Chinese language classes served much the same function as English classes in the U.S.). TAL's pre-first grade *Humanistic Creation* class homed in on the Ministry of Education's curriculum for Grades 1 and 2, building vocabulary and understanding both Chinese characters and their transliteration into Roman script, Pinyin. The Chinese classes also taught these six- or seven-year-olds to recite ancient Chinese poems they could not possibly understand, but which appeared in the curriculum and official national Chinese textbooks for later grades.

11. TAL's promotional materials, too, showed that its classes taught academic subjects. TAL produced pamphlets comparing its courses to official curriculum to assure parents their children would be learning school subjects, rather than enrichment. The pamphlets emphasized that their techniques would help students score better on exams.

12. TAL also issued want ads that made coded references to its violations of the Double Reduction. Throughout China, TAL advertised for teachers in job postings that included both the name of the enrichment class and its actual content. For instance, TAL placed numerous advertisements for teachers for its "Creative Thinking (math)" classes.

13. TAL's violations of the Double Reduction were not only deliberate, they were systematic. Its organization is notably hierarchical. TAL's headquarters sets the curriculum and largely approves the promotional material, both of which are uniform throughout China. Thus, the syllabi alleged in this Complaint are used in all of TAL's classes throughout China.

14. On March 14, 2023, reporters from CaiLian, a Chinese news outlet, published an exposé on TAL's violations ("CaiLian Report"). By publishing TAL pamphlets and syllabi, and reporting on conversations CaiLian had had with TAL employees and customers, the CaiLian Report showed that TAL's enrichment classes were just academic courses.

15. Though published in China in Chinese, the CaiLian Report broke through to English-speaking investors. On March 14, both JP Morgan and China Merchants Securities (an investment bank) published English-language reports discussing CaiLian's news.

16. The disclosures in the CaiLian Report had an immediate impact on TAL's stock price. On March 14, the price of TAL's ADSs fell 10.0%, damaging investors.

17. TAL's blatant violations of the Double Reduction are a significant business risk. If and when the Chinese government elects to take strong action against the major players in the education industry, TAL will be in its crosshairs. That is a risk investors did not know they were taking because Defendants concealed it.

II. JURISDICTION AND VENUE

18. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

19. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

20. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged misstatements entered and the subsequent damages took place in this judicial district. TAL's securities trade on the New York Stock Exchange ("NYSE"). Accordingly, there are investors in TAL's securities located within the U.S., some of whom reside in this Judicial District.

21. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

III. PARTIES

A. Plaintiffs

22. Lead Plaintiff Xuanjun Meng and named plaintiff Jordan Lewandowski, as set forth in their certifications which were previously filed and are incorporated by reference, acquired TAL ADSs during the Class Period and were economically damaged thereby.

B. Defendants

23. Defendant TAL Education Group is an education company. TAL was founded in 2005 to offer after-school tutoring services. TAL grew rapidly, and in 2011, listed its American Depositary Shares on the NYSE. TAL quickly became one of the two behemoths offering educational services in China, alongside New Oriental Education & Technology Group. Until December 2021, TAL's business was providing after-school tutoring programs for primary and secondary school students in China, where it is based. During the Class Period, TAL purportedly pivoted to providing non-academic enrichment education to children, science and creativity, and humanities and aesthetics. TAL is incorporated in the Cayman Islands and its principal executive offices are located at 5/F, Tower B, Heying Center, Xiaoying West Street, Haidian District, Beijing 100085, People's Republic of China (where required for clarity, "PRC"). TAL's ADSs trade on the NYSE under the ticker symbol "TAL."

24. Defendant Bangxin Zhang co-founded TAL and served as a director and its Chief Executive Officer from inception through January 2020. Zhang has served as TAL's chairman since April 2022 and, according to TAL's SEC filings, "provides vision, overall

management, and strategic decision-making relating to marketing, investment planning, and corporate development.”

25. Defendant Alex Zhuangzhuang Peng has served as TAL’s President and Chief Financial Officer since November 2021 and its President since January 2022. Peng joined TAL in March 2020 as vice president of strategy and was responsible for designing overall corporate strategy and leading its strategic planning process. Peng was a partner at McKinsey & Co. in Beijing from 2001 through 2011.

26. Defendant Jackson Ding has served as TAL’s Investor Relations Director since 2020.

27. Collectively, Zhang, Peng, and Ding are the “Individual Defendants”.

28. TAL is liable for the acts of the Individual Defendants and its other employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

29. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to the Company under *respondeat superior* and agency principles.

30. TAL and the Individual Defendants are collectively referred to herein as “Defendants.”

C. Former Employees

31. Former Employee 1 (throughout this Complaint, “Former Employee” is abbreviated as “FE”) was an Education Affairs Manager at TAL from 2017 through March

2022. FE 1 oversaw the arrangement of TAL teachers tutoring high-school classes in Beijing.

32. FE 2 was a Course Specialist & Math Teacher at TAL from July 2019 through June 2022. FE 2 worked out of TAL's Shanghai office. FE 2 was responsible for developing the math curriculum and teaching it.

33. FE 3 was a Project Manager at TAL from November 2018 through April 2022. FE 3 worked out of TAL's Shanghai office.

34. FE 4 was a course consultant in TAL's Hangzhou office from 2022 through May 2023.

35. FE 5 was an Education Manager in TAL's online education business group from 2017 through Q4 2022.

36. FE 6 worked in TAL's Nanjing marketing division from January 2022 through May 2022. FE 6's responsibilities concerned marketing and sales promotion.

37. FE 7 worked in TAL Education's marketing division at its Xi'an regional headquarters from June 2018 through March 2023. FE 7's responsibilities concerned marketing and sales promotion.

38. FE 8 was a TAL sales representative at TAL's Shanghai office from October 2022 through June 2023.

39. FE 9 was a Marketing Specialist in TAL's Beijing office from June 2021 through June 2023. FE 9's responsibilities concerned marketing and sales promotion.

IV. BACKGROUND

A. Chinese Parents Naturally Fear For Their Children's Future In A Hypercompetitive Educational System

40. For-profit tutoring in China emerged in the 1980s and 90s as the country began its shift toward market economies in order to become more competitive on the global stage and away from the prior centrally state planned economy under Chairman Mao Zedong. In 1977, the Chinese government reinstated the Chinese national college admissions exam, the “Gaokao”. Following the reintroduction of the Gaokao, entrance examinations to secondary schools were also restored.

41. High-stakes examinations fueled parents’ anxieties about their children’s education. Upon graduating from middle school, students who wish to pursue further education undergo a demanding admission examination known as the “Zhongkao.” Depending on their performance in the Zhongkao, middle school graduates have several options:

- i. Continue their education at an academic high school for up to three years.
- ii. Enroll in a vocational high school, which can vary in length from two to four years.
- iii. Conclude their formal schooling at this stage and enter the workforce.

42. Between 2015 and 2019, approximately 56% to 58% of middle school graduates in China secured placements in academic high schools following the Zhongkao examination.

43. Obtaining a high score on the Zhongkao increases a middle schooler's chances of gaining admission to a more prestigious local high school, where the student can expect to receive a higher quality education relative to less selective high schools. Superior academic performance at the high school level, in turn, increases a student's chance of success in the Gaokao.

44. The Gaokao, held annually in June and administered by the Ministry of Education, is China's national college admission test. It holds a special significance, as it is seen as a key equalizer for individuals seeking to advance in society.

45. Students' performance in the Gaokao can have profound and transformative effects on their lives. For a Chinese student originating from an average or below-average socio-economic background, an exceptional Gaokao score can open doors to China's most prestigious universities. In turn, graduating from a prestigious university promises access to coveted careers and offers students a chance to alter the trajectory of their lives and those of their families.

46. In 2022, the average monthly income of a recent college graduate from a non-prestigious university was RMB 5,724. A college graduate from one of China's top 39 universities, earned RMB 9,088 on average, or nearly 60% higher than the income of students who graduated from non-prestigious colleges.

47. Because more than ten million students take the Gaokao each year to snag one of the tens or low hundreds of thousands of spots at prestigious colleges, the competition is fierce. It is often described in China as akin to "thousands of troops and horses fighting to cross a single-log bridge simultaneously."

B. The Chinese Tutoring Industry Grows To Several Hundred Billion Dollars By Stoking Parents' Fears

48. Faced with significant social and academic pressures, many Chinese parents were eager to start their children's preparations for the Zhongkao and Gaokao several years in advance. Before the Double Reduction, in many instances, this preparation began as early as preschool, as parents strove to provide their children with every available advantage. Parents paid anywhere from \$80-150 an hour for their preschool-age students to learn elementary school-level Chinese, English and math tutoring courses.

49. Companies like TAL took advantage of parents' anxieties to fuel their growth. To promote their courses in an increasingly cutthroat industry, after-school tutoring companies flooded Chinese parents with advertisements.

50. Popular TV shows, galas, office and residential buildings, and social media were inundated with advertisements from after-school tutoring companies. According to App Growing, a global mobile advertising strategy analytics platform, during the fourth quarter of 2020, the educational training industry's advertising spending was the fifth highest in China of all industries.

51. Advertisements by after-school tutoring institutions often conveyed misleading information to Chinese parents and students, creating a false impression that after-school tutoring was necessary to avoid losing the race for a successful life and career before it even began. One viral advertisement summed up the industry's message: "Come, and we'll tutor your child. Don't come, and we'll tutor your child's rival." The pervasive advertising campaigns were designed to, and did, instill the fear among parents that without

purchasing courses from these after-school tutoring companies, their children would fall behind. To entice parents to purchase their courses, after-school tutoring companies commonly boasted in their ads that their teachers were well versed in the question patterns of exams like the Zhongkao and Gaokao.

52. Once parents purchased courses, however, they often discovered that the quality and credentials of teaching staff were questionable. Teachers who were advertised as “renowned” often lacked proper teaching licenses or teaching experience. A large survey of parents of students who bought after-school tutoring for their children revealed that half were dissatisfied with its quality.

53. It was estimated that in Beijing and Shanghai alone, about 70% of primary school aged students receive extracurricular tutoring. According to a 2021 estimate, almost as many entities operated in China’s private tutoring industry as there were public schools in China.

54. After-school tutoring had a significant impact on both children’s lives and their family’s finances. According to a 2015 survey conducted by the China Youth and Children Research Centre, Chinese students overall spent an average of 50 minutes each weekday and two hours on the weekend in after-school courses. And parents spent huge sums on after-school tutoring. A September 6, 2021 NPR article reported that Chinese families who pay for after-school tutoring can spend, on average, between 25% and nearly 50% of their incomes on “supplemental education activities.”

55. Fed by parents’ fears it had a large role in fueling, the after-school tutoring industry blew up. According to research conducted by China Merchants Bank in 2018, the

market value of China's after-school tutoring sector for primary and secondary education had reached RMB 520.5 billion (\$74.3 billion). It was projected that by 2022, the market value of this sector would grow to RMB 768.9 billion (\$109.8 billion).

56. TAL held a major piece of this market share; it soon became one of the top five tutoring companies in China, and by February 2021, it was valued at over \$55 billion, up 323% from its \$13 billion valuation in October 2018 .

C. The Chinese Government Promulgates Increasingly Stringent Regulations To Curb The Excesses Of The Afterschool Tutoring Industry

57. Increasingly pervasive after-school tutoring created a generation of students who were so “pumped with extracurricular classes and energy-boosting ‘chicken blood’ by anxious parents”, referring to a 1950's Chinese treatment involving pumping a subject with chicken blood to stimulate activity. These children developed a disparaging nickname, Jiwa, meaning “chicken baby”.

58. In the Chinese government's view, Chinese students were being overworked from the combination of long school days and hours of after-school tutoring, with children often in classes from 7 a.m. until almost midnight. The Chinese government saw for-profit educators as exploiting parents' anxieties through false and misleading advertising. The Chinese government also deplored the disproportionate resources spent on after-school tutoring.

59. In or around 2018, China began to restrict the private tutoring industry by implementing more stringent rules and regulations. For instance, in February 2018, the Chinese Ministry of Education, along with two other governmental agencies, issued the

Circular on Alleviating After-school Burdens on Primary and Secondary School Students and Implementing Inspections on After-school Training Institutions. This directive banned after-school tutoring institutions from conducting standardized exams and competitions for primary and secondary school students. Additionally, it prohibited activities like offering lessons that exceed the prescribed curriculum for a specific grade level in subjects such as mathematics and Chinese, and teaching to the test.

60. In August 2018, the Chinese State Counsel issued the Opinion on the Regulation of the Development of Extracurricular Training Institutions, or State Council Circular 80, outright prohibiting teaching ahead, imposing certification requirements, and banning homework and collecting prepaid tuition fees for more than three months, among other limitations.

61. On November 20, 2018, the General Office of the Ministry of Education along with the General Office of the State Administration for Market Regulation (“SAMR”) of the PRC and the General Office of the Ministry of Emergency Management of the PRC jointly issued the *Notice on Improving the Specific Governance and Rectification Mechanisms of After-School Tutoring Institutions*, providing teeth to the earlier regulations by requiring local governments to implement them.

62. In China, living close to a school is often a prerequisite to a child’s enrollment. As a result, home prices rose significantly in neighborhoods near the best schools. On January 1, 2019, Beijing imposed price controls on houses in certain school districts. In addition, houses purchased after that date no longer guaranteed enrollment of owners’ children in certain schools.

63. On July 12, 2019, the Ministry of Education and other PRC government agencies such as the Cyberspace Administration of China promulgated the *Implementation Opinions on Regulating Online After-school Training*. These opinions were intended to regulate internet academic after-school training that and initiated supervision of online and offline after-school training.

64. By targeting after-school tutoring institutions, the Chinese government reduced the number of elementary and middle school students in after-school academic tutoring. Nonetheless, these measures did not end the pervasive illegal practices of profit-driven after-school tutoring companies.

65. By 2021, the Chinese government had had enough. On January 18, 2021, the Central Commission for Discipline Inspection of the Communist Party of China/the National Commission of Supervision of China publicized an article titled *Online education in the whirlpool of capital*. The article highlighted the damage that large-scale profit-driven capital was wreaking on Chinese society, including through deceptive marketing, exorbitant pricing, difficulties obtaining refunds, and misappropriation of prepaid tuition. The article urged all levels of government to increase oversight of the after-school tutoring industry.

66. Thousands of delegates of the National People's Congress and the Chinese People's Political Consultative Conference gathered to discuss China's most urgent concerns at the annual Two Sessions meetings held from March 4 to 11, 2021. One central topic of discussion was regulation of the after-school tutoring industry. On March 6, 2021, President Xi Jinping expressed concerns to the delegates at the Two Sessions, likening the

disorder in the after-school tutoring sector to “a persistent and hard-to-remedy disease” and demanding that the problem be fixed. That same month, Xi also said that “[o]n the one hand, parents want their children to be healthy and have a happy childhood; on the other hand, they are afraid their children will lose right from the starting line in the competition for marks”.

D. The Chinese Government Enacts A Sweeping New Law Virtually Outlawing TAL’s Business Model

67. On May 21, 2021, China promulgated its most stringent ever regulation on the after-school tutoring sector. That day, the 19th session of the Central Comprehensive Deepening Reform Committee, presided over by Xi and attended by top leaders in China, approved the *Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education* (“Double Reduction”).

68. In late July 2021, the text of the Double Reduction was released.

69. The Double Reduction imposed sweeping regulations on the after-school tutoring industry. These regulations were targeted at the problems the Chinese government had been denouncing for years.

70. First, the Double Reduction aimed to curb the profit incentive that in the Chinese government’s view was at the root of the industry’s exploitation of parents’ fears. The Double Reduction required that after-school tutoring institutions that provide tutoring on K-9 academic subjects register as non-profits.³ It also categorically prohibited after-

³ In China, compulsory schooling only extends to the 9th grade. The Double Reduction did not impose the regulations in this paragraph on institutions that only taught academic

school tutoring institutions that provide K-9 tutoring on academic subjects from either listing on a stock market or raising money in capital markets. Companies like TAL were not grandfathered in; the Double Reduction also prohibited existing foreign-listed companies from offering after-school tutoring on academic subjects covered in the K-9 curriculum. Thus, TAL was prohibited from engaging in after-school tutoring on K-9 academic subjects.

71. The Double Reduction sought to reduce the burden on students by restricting the time at which academic after-school tutoring could be offered. It prohibited such tutoring on weekends, statutory holidays, and summer and winter holidays.

72. The Double Reduction took aim at the exploitative advertising that the after-school tutoring companies had previously employed. It prohibited advertisements on network platforms or billboards, in digital media, or in a public place or residential areas. Further, advertisements could not be “hidden” in the form of textbooks, stationery, uniforms, or other such shadow publicity.

73. The Double Reduction also implemented monitoring requirements to ensure compliance, such as review and approval procedures, and inspections.

74. The Double Reduction did not prohibit, or direct that other branches of government prohibit, tutoring on *non*-curricular subjects. As a result, several companies withdrew from the academic tutoring market and shifted to selling so-called enrichment classes designed to teach children to flourish.

subjects to students in Grades 10-12, although there were suggestions in the media that such restrictions would arrive shortly.

75. On September 6, 2021, the National Development and Reform Commission, the Ministry of Education, and the SAMR issued the *Notice on Strengthening the Regulation of Fees for Academic Subject After School Tutoring During the Compulsory Education Stage*, directing that all regions in China establish government guidance price policies for academic subject after school tutoring fees for compulsory education by the end of 2021. While each region would have a different maximum rate, even the highest rates would be no more than around \$10/hour. In other regions, maximum rates could be as little as around \$3/hour.

76. The same day, the Ministry of Education issued its *Methods for the Management of Extracurricular Training Materials for Primary and Secondary School Students* (Trial Implementation), which applied to both academic and non-academic classes. Before the Double Reduction, companies' advertisements had exploited the fact that the Zhongkao and Gaokao tested students on materials that they had not covered in formal schooling to convince parents that after-school tutoring was necessary to address gaps in their children's education. Moreover, companies would stress that children could not possibly learn all they needed for the test as they approached the end of their compulsory schooling, which required parents to put their children into tutoring as early as kindergarten.

77. So the new measures prohibited any materials from "[e]xceeding the corresponding national curriculum standards" (i.e., teaching materials that are too advanced for the students).

78. The new measures also required that tutoring companies establish a comprehensive internal review program for all materials to be used in classes:

Article Ten: Establish internal and external review systems for training materials, adhering to the principle that all drafts must be reviewed, and all uses must be reviewed. After-school tutoring institutions are responsible for the comprehensive internal review of training materials and should select and form an internal review team according to the reviewer qualification requirements.

79. Non-academic subject training materials were subject only to spot checks by local government:

For non-subject specific training materials, on the basis of internal review by after-school tutoring institutions, local education administrative departments assist the corresponding competent departments in conducting spot checks and inspections.

80. TAL executives heard the government's message loud and clear. In a November 25, 2021 article,⁴ an unnamed TAL executive was quoted as saying about the Double Reduction that "[w]e are still negotiating with the government, *but the authorities' purpose is very clear: to stop after-school training.*"

V. TAL CONTINUES TO ENGAGE IN ACADEMIC TUTORING EVEN AFTER THE DOUBLE REDUCTION FORBIDS IT

A. Tal Purportedly Ceases After-School Tutoring

81. Among publicly-traded Chinese education companies, TAL Education was uniquely exposed to new regulations on after-school tutoring. In the fiscal year ended February 28, 2021, after-school tutoring services on academic subjects to students from

⁴ Cissy Zhou, *Chinese tutoring companies struggle to reinvent themselves*, Nikkei Asian Review, November 25, 2021, available at <https://asia.nikkei.com/Business/Business-Spotlight/Chinese-tutoring-companies-struggle-to-reinvent-themselves>

kindergarten through grade nine accounted for 75-80% of TAL's revenues.⁵ Its closest competitor, New Oriental Education & Technology Group, offered diversified educational services, only a portion of which was outlawed by the Double Reduction.

82. In early November 2021, the Ministry of Education announced that all for-profit companies would have to stop teaching K-9 academic courses by the end of the year.

83. On November 12, 2021, TAL represented to investors that it would cease offering academic afterschool tutoring by the end of the year:

[T]he Company plans to cease offering academic subjects to students from kindergarten through grade nine ("K9 Academic AST Services") in the mainland of China by the end of December 2021.

84. Then, on January 14, 2022, TAL confirmed that it had ceased all after-school tutoring:

On November 12, 2021, the Company issued a press release to announce that in response to the regulatory developments relating to after-school tutoring services, including the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, published in July 2021 by the General Office of the CPC Central Committee and the General Office of the State Council (the "Opinion") and the related implementation rules, regulations and measures promulgated by competent authorities, the Company decided to cease offering academic subjects to students from kindergarten through grade nine ("K9 Academic AST Services") in the mainland of China by the end of December 2021.

The Company has completed the cessation by the due date[.]

5

<https://www.sec.gov/Archives/edgar/data/1499620/000110465922039395/filename1.htm>

B. TAL Purportedly Expands Its Enrichment Education Business Line

85. TAL's main competitor, New Oriental, pivoted away from teaching K-9 altogether. But TAL Education doubled down by dramatically expanding its existing small-scale non-curricular tutoring project, which it called its enrichment classes.

86. On TAL's Q4 2022 earnings call, taking place on April 29, 2022, Defendants described TAL's purported enrichment program:

We provide enrichment learning programs to the learners between 2 and 18 years old. These programs are offered in various class sizes through both online and offline formats. Our offerings currently include the following programs: size and creativity, coding and programming, humanity and aesthetics, and et cetera.

Let me now spend some time to talk about the programs themselves.

Science and creativity guides learners through observation, analysis, and application of various scientific phenomena and theories. The program is designed to develop learners' scientific curiosity and problem-solving capabilities.

Coding and programming covers a broad range of computer science-related topics, including programming literacy, software development, algorithm, and et cetera. The program is designed to advance learners technological fluency and critical thinking skills.

Humanities and aesthetics provide comprehensive learning at the intersection of history, art, and literature. The program is designed to cultivate learners' cultural and aesthetic literacy.

87. TAL's purportedly non-academic tutoring revenues were a lifeline in turbulent times.

88. After the July 2021 regulations, TAL reorganized its business into three segments. The largest by far—learning services, accounting for 70-75% of revenues—

included enrichment classes for children aged 2-18, along with high school and overseas academic tutoring.

89. TAL did not break down revenues in its learning services business segment until it announced Q4 2023 earnings (i.e., for the quarter ending February 28, 2022).⁶ Then, TAL revealed that it earned about 45% of its revenues from its enrichment tutoring services.

90. The segment's performance far exceeded analysts' expectations, who had not expected much:

- a. In a November 16, 2021 report, a Morningstar Equity Research analyst had expressed skepticism regarding the possibility of ever obtaining meaningful revenues from non-academic tutoring "given that the contribution of the majority of these nonacademic-related businesses remains small."
- b. In a January 9, 2022 report, a Morgan Stanley analyst had forecast that TAL's enrichment learning division would earn revenues of \$123 million in 2023.

91. Based on the strong performance of its non-academic tutoring segment, TAL was able to turn a small operating profit in Q1 and Q2 2023.

C. TAL's "Enrichment" Program Is Academic Tutoring By Another Name

92. Defendant Peng told investors on the Q4 2022 earnings call, April 29, 2022

So to start with, *the enrichment learning services, in terms of the subjects areas, are very different from academic after-school tutoring and services*, but the business model, if you look at that type of business model, it's somewhat similar to that of academic AST [after-school tutoring]. *The product format is different. I mentioned the content format is different.* We

⁶ TAL's fiscal year begins on March 1. By convention, fiscal years must end on or before the end of the corresponding calendar year. Thus, TAL's fiscal 2022 begins on March 1, 2021, and so on.

provide enrichment learning services in both online and offline formats in various class sizes.

93. In fact, TAL Education's enrichment segment boomed because it was not teaching enrichment: it continued to teach academic classes.

94. TAL offered classes for multiple grades but it had very few different types of classes. Although TAL offered Science & Creativity, Coding & Programming, and Humanities & Aesthetics classes at multiple difficulty levels for each grade, there were not different subjects within each type of class. Thus, for example, TAL offered a different *Creative Thinking* class for students entering, or in, each of grades 1 through 9. It offered these classes at different times: summer, fall, or spring. It offered these classes at different difficulty levels. But all the classes at each grade level taught the same or similar subject matter. TAL did not offer separate science classes in astronomy, dinosaurs, or micro-organisms, or other subjects designed to appeal to students' individual interests. Indeed, according to FE 3, TAL only offered 5 enrichment classes: creative thinking (math), humanistic creation (Chinese), coding, science experiments, and Go (the game).

95. The classes were uniform throughout China. A child taking a particular TAL class in Beijing learned the same content as a child taking the same class in Hangzhou.

96. The reason for the otherwise puzzling uniformity is that TAL's "enrichment" classes were just its old after-school tutoring classes with new names. TAL's *Creative Thinking* set of classes are just math classes. TAL's *Humanistic Creation* set are just Chinese class. These courses (for students who take all three of summer, fall, and spring classes) are closely linked to Ministry of Education curriculum guides for the relevant

grades. For instance, TAL's Grade 3 *Creative Thinking* enrichment classes collectively taught the same concepts as the Ministry of Education's Grade 3-4 math requirements. Syllabi for TAL's enrichment classes show they are nearly identical to TAL's pre-Double Reduction classes on the same subject and at the same grade level. The syllabi show the classes are also substantially similar to the classes on the same subject and at the same grade level that TAL continues to teach overseas. Thus, TAL students who took Grade 3 math classes in the U.S. learn substantially the same things as TAL students who took Grade 3 *Creative Thinking* in China.

97. Similarly, TAL's promotional materials for its enrichment classes highlighted the similarities between its courses and the material taught at school. In its promotional materials, TAL boasted that questions it had posed to students in its classes were very similar to questions that appeared in school tests. TAL employees told parents that its classes would help their students excel in school.

98. TAL's teaching methods were those of academic tutoring. It taught children through lectures by teachers. It assigned homework and gave exams, which it graded. It also divided students into different classes by academic ability. The Ministry of Education has specifically called these practices as signs that the company is engaging in prohibited after-school tutoring.

99. Disguising academic courses as enrichment courses had several benefits for TAL. First, only non-profits could conduct academic courses. Second, enrichment courses were not subject to price caps. Third, the regulations restricting the days on which academic

courses did not apply to enrichment courses, and the comparable limitations on enrichment courses were much less strict.

100. But operating in blatant violation of the law created risk for investors. Ironically, these concerns are best expressed by analysts who were unaware of TAL's misconduct and thought TAL's purported compliance was a competitive advantage. Commenting on new regulation announced in December 2022 targeting covert academic tutoring, a Huatai Research analyst observed in a December 29, 2022 report, that "[w]e believe China's regulators have taken a clear stand with regard to strictly controlling academic AST [after-school tutoring]. Thus, market demand should shift from illegal academic AST offerings *to programs such as TAL's compliant competency education.*"

1. TAL's "Creative Thinking" Class Is Just A Curricular Math Class

101. On May 5, 2022, two syllabi for TAL summer classes for students entering Grade 3 circulated on Weibo, a Chinese social media site. Plaintiffs also obtained two Grade 3 Creative Thinking class syllabus from a former TAL employee. All these syllabi are clearly for Grade 3 math classes.

102. The first TAL syllabus posted on Weibo consisted of 10 lecture sessions, all of which teach math. The syllabus stated on its face that it was for a TAL "enrichment" class, so it was not a syllabus for a pre-Double Reduction TAL class. The syllabus provided for lecture sessions touching on "Skillful Calculation I" (and II) and computation of averages, as well as several lecture sessions on each of multiplication and division.

103. The second syllabus posted on Weibo also consisted of 10 math-related lecture sessions. The class included two lecture sessions on data, basic statistics, and

statistical graphs, as well as a separate lecture session on averages. The class included several lecture sessions on geometry, including two on the tree planting problem⁷—a staple of the Chinese educational system and Chinese exams, which TAL had covered in its pre-Double Reduction math classes.

104. Plaintiffs obtained syllabi for TAL's pre-Grade 3 and autumn Grade 3 *Creative Thinking* classes from a Beijing-based former TAL employee, an English translation of which is attached as Exhibit A hereto. It, too, was a math class. Each of the classes' collective 25 lecture sessions was a math lesson covering materials taught in academic classes. There were at least seven lectures devoted purely to arithmetic, including multiple lectures dedicated to each of multiplication and division. There were at least two lectures devoted to geometry. There were at least three lectures devoted to basic data and graph analysis. Most of the remaining lectures focused on specific math techniques and question types that frequently appeared on Chinese school exams, including a whole lecture devoted to the tree planting problem. The lectures all focused on the types of material covered in third and fourth grade math classes.

105. The materials are strikingly similar to TAL's actual math classes. TAL teaches classes outside mainland China under its Think Academy brand, including in the U.S. There, it is not subject to the Double Reduction, so it can and does offer classes on academic subjects. The syllabi for Think Academy's Grade 3 math classes (including

⁷ The tree-planting problem solves for how many trees one should plant given a certain spatial interval for a circular garden with a certain diameter. It is used to test students' understanding of spacing, arithmetic, and division.

summer classes for students entering the Third Grade) are virtually identical to the Grade 3 *Creative Thinking* syllabi. For example:

- a. TAL's *Creative Thinking* class and Think University's Grade 3 classes both teach addition, subtraction, multiplication, and division, and various tricks to perform the operations quickly;
- b. TAL's *Creative Thinking* class and Think University's Grade 3 classes both teach basic geometry, including the shapes and mathematical properties of triangles, parallelograms, ways of calculating their perimeter and area, and the like;
- c. *Creative Thinking*'s Summer Lecture Session 1 "core knowledge" is "Calculate the perimeter problem, cultivate graphic cognition and logical analysis ability." The goal of Think Academy's G3 Magic Math Class, Lecture 4, is to "understand the meaning of perimeter in life, and use some tools and apply them to perimeter estimation."; and
- d. Just like Think Academy's Grade 3 math classes, there are no additional non-curricular enrichment materials in TAL's *Creative Thinking* classes, such as history of mathematics or famous mathematicians.

106. Further, TAL's enrichment classes are strikingly similar to its pre-Double Reduction classes. Plaintiffs obtained internal TAL documents concerning its pre-Double Reduction classes. The materials included textbooks for TAL's grade 3 math classes. TAL's pre-Double Reduction Grade 3 class taught the same materials as its Grade 3 *Creative Thinking* classes. Both included classes on:

- a. Multiplying three-digit numbers by two-digit numbers;
- b. Dividing with two-digit divisors;
- c. Alphabetic representation of numbers;
- d. Advanced applications of addition and division;
- e. Reverse deduction and diagrams;⁸ and
- f. Calculating perimeters and the area of a shape.

107. Short excerpts of TAL's pre-Double Reduction classes were also posted online by a third party.⁹ They include lessons on tricks for solving arithmetic symbol problems, similar to Autumn Session 1, and fractions and decimals, Summer Session 3. They also included at least one lesson on the tree planting problem.¹⁰

108. Finally, TAL's *Creative Thinking* syllabus covers the curriculum of grade 3-4 math classes. The Ministry of Education's *Compulsory Education Curriculum Framework and Curriculum Standards, Grades 3-4*, effective 2022 ("MOE Curriculum Guide") provides:

- a. "Recognize natural numbers, go through the process of decimals and fractions formation, have a preliminary understanding of decimals and fractions." Covered in **Summer Lecture Session 3**.
- b. "[P]erform more complex integer arithmetic operations and simple addition and subtraction of decimals and fractions, understand the laws of operations;

⁸ Reverse deduction consists of rudimentary work with variables. For instance, students might be told that $1 + X = 4$ and be required to determine that $X = 3$.

⁹ <https://www.youtube.com/@LearningIsFunHere>

¹⁰ E.g. <https://www.youtube.com/watch?v=0Je4XPhi-H4>

develop a sense of numbers, computational ability, and initial inferencing skills.” Covered in **Summer Lecture Sessions 2, 6, 7, 8; Autumn Lecture Session 1, 2, 7, 8, 12-15.**

- c. “Recognize common plane shapes, go through the process of measuring the perimeter and area of plane shapes, explore methods for calculating the perimeter and area of rectangles; understand translation, rotation, and axial symmetry of shapes.” Covered in **Summer Lecture Session 1; Autumn Lecture Session 9.**
- d. “[D]evelop a sense of quantity, spatial concepts, and basic geometric intuition.” Covered in **Summer Lecture Session 1; Autumn Lecture Session 9.**
- e. “Experience simple data collection processes, understand simple methods of data collection, organization, and presentation.” Covered in **Summer Lecture Sessions 9, 10; Autumn Lecture Session 10.**
- f. “[G]rasp the significance of the average, use averages to solve problems.” Covered in **Autumn Lecture Session 6.**
- g. “[D]evelop an initial awareness of data.” Covered in **Summer Lecture Sessions 9-10; Autumn Lecture Session 10.**
- h. “In theme-based activities, further understand units of time and direction, become familiar with units of mass, attempt to apply mathematical and interdisciplinary knowledge and methods to problem-solving, accumulate experiences in mathematical activities, develop a sense of quantity, inference

skills, and application awareness.” Covered throughout the *Creative Thinking* Grade 3 lecture sessions.

2. *TAL’s “Humanistic Creation” Class Is Just A Curricular Chinese Class*

109. The MOE Curriculum Guide for Grades 1-2 Chinese classes focuses on basic literacy in both Chinese characters and Pinyin, the standard transliteration of Chinese characters into Roman letters. It consists of the following:

- (1) Recognize commonly used words related to the human body and behaviors, the universe, and nature etc; recognize commonly used words in family life, school life, and social life; learn to write characters with simple strokes and gain a preliminary understanding of the main characteristics of Chinese character structure.
- (2) Recognize and write basic characters, learn radical-based¹¹ character recognition methods, try to discover some patterns in Chinese characters, and begin to learn how to classify and organize characters learned both inside and outside of the classroom; actively engage in reading in daily life, developing independent reading skills.
- (3) Recognize Pinyin letters, pronouncing syllables, understanding tones, using Mandarin Pinyin to read Chinese characters, learning the phonetic-sequence-based character recognition method, and acquiring Mandarin and Pinyin skills within daily communication contexts.
- (4) Recite, record idioms, proverbs, maxims, children’s songs, short ancient poems etc. that are learned at and after school, experience the Chinese excellent traditional culture, and cultivate the habit of independent accumulation.

110. Plaintiffs and CaiLian each obtained syllabi for TAL’s *Humanistic Creation* classes.

¹¹ Radicals are individual characters in Chinese words. They are often guides to the meaning of the words, just as knowing the prefix “cardio” helps English speakers understand what a “cardiologist” is.

111. The CaiLian Report published two promotional syllabi for TAL's *Humanistic Creation* class. The first was for students about to enter the first grade. The syllabus for the transition to Grade 1 makes clear that students would be taught Pinyin. Indeed, this was a selling point: "Pinyin" appears in the description of each of the 15 lectures in the course, and each time, it is highlighted in red.

112. A Shanghai curriculum consultant showing the reporters the syllabus boasted that each TAL class would include 10 minutes of Pinyin education. The consultant added "If you continue to follow along, you don't need to worry about the preschool to primary school transition".

113. Another consultant, this one from Hangzhou, told CaiLian "Pinyin and critical thinking are essential for the transition to primary school. They must be included" in whatever form of education the child sought. The consultant represented that the students would spend at least 10 minutes on Pinyin in every class.

114. Thus, TAL is stressing how the class for transition to Grade 1 meets the MOE Curriculum Guide's critical goals for Grade 1, understanding Pinyin (Item (3) above).

115. The syllabus also advertised that TAL would offer 4 free classes to help manage the transition between kindergarten and first grade. These classes would "improve literacy", teach students reading and writing, and develop their reading skills. These are the skills at the heart of the MOE Curriculum Guide's critical goals for Grade 1.

116. Similarly, Plaintiffs obtained the syllabus for TAL's 2023 summer class for children entering Grade 1.

117. The class focused on acquiring vocabulary, just like the MOE Curriculum Guide, Item (1). The MOE Curriculum Guide includes quantitative goals, one of which is to have the child recognize 1,600 words. Each of the 15 sessions in TAL's summer course aimed to teach 20 words, for a total of 300 words, putting the 1,600 word target within reach of students who also took TAL's fall and spring classes.

118. The syllabi CaiLian and Plaintiffs obtained emphasized learning ancient poetry, or Item (4) above. Likewise, the MOE Curriculum's quantitative goals for grades 1-2 Chinese class include memorizing 50 ancient poems.

119. Three of the poems included in the syllabus Plaintiffs obtained—Fisherman's Song, Hui Chong Chun Jiang Wan Jing, and Bamboo and Stone—are on the MOE Curriculum for grades 1-8. In addition, four poets taught in the TAL classes whose syllabus Plaintiffs obtained also have poems on the MOE Curriculum.

120. The CaiLian Report's syllabus for second grade likewise included curricular materials. In TAL's class, students are taught many ancient poems such as Liangzhou Ci lyrics and the Congjun Xing. Liangzhou Ci is on the MOE Curriculum for Grades 1-6 and in the national Chinese textbook for Grade 4 First Semester. The poet who wrote Congjun Xing has poems in the MOE Curriculum and Congjun Xing is in the national Chinese textbook for Grade 5, Second Semester. Further, according to the CaiLian Report, promotional materials for the class show that it teaches students poems by Li Qingzhao which are part of the MOE Curriculum but are not taught until middle school (Grades 7 through 9). Thus, not only does TAL's Chinese class teach curricular material, it teaches ahead.

121. FE 4 confirmed that the *Humanistic Creation* course is nothing more than “Chinese, reading and writing.”

3. *TAL’s Promotional Materials Brag that TAL’s Courses Cover the Same Material As Academic Courses*

122. As more fully alleged below, TAL’s promotional materials were standardized. Any materials that bore TAL’s logo or mascot had to be approved by TAL’s head office. TAL’s regional offices were limited to mundane tasks like drafting materials that set out local class schedules and locations.

123. TAL’s promotional materials also showed that TAL’s enrichment classes were just academic courses.

124. The CaiLian Report published three TAL promotional pamphlets. The first pamphlet, promoting a second-grade class, consists of two boxes. The first box is titled “What the school tests”; the second, “what we are learning.” The boxes have similar, if not identical, contents. TAL is boasting that it teaches school materials. The second pamphlet tells parents that TAL will help students answer “common classic question types in school-specific supplemental questions.” The pamphlet adds that the class will emphasize “enhancing ordered enumeration and data processing skills (**the two most important skills in elementary school**)” (emphasis in original). The third pamphlet shows TAL’s classes’ “curriculum benchmarking” by including two similar word problems, one drawn from a school exam, the other from TAL’s classes. Notably, the first and second pamphlets bear TAL’s mascot and logo, so they had to be approved by TAL’s headquarters—as multiple former TAL employees reported.

4. *TAL Organizes Classes and Evaluates Candidates In The Exact Way the Chinese Ministry of Education has Characterized As Typical of Academic Tutoring*

125. On November 8, 2021, the General Office of Ministry of Education promulgated its *Guide to Identification of Extracurricular Tutoring Programs for Compulsory Education* (“Identification Guidelines”). The Identification Guidelines warned that the following were characteristic of academic tutoring:

- a. Objective: Aimed at academic knowledge and skill tutoring, mainly to improve academic performance on academic subjects.
- b. Contents: Mainly involves subjects like Moral Education and Rule of Law, Chinese literacy, History, Geography, Math, Foreign Languages (English, Japanese, Russian), Physics, Chemistry, Biology, etc.
- c. Methods: Focuses on explaining academic knowledge, practicing listening, speaking, ***reading, writing, and arithmetic skills, mainly through pre-lesson preparations, teaching, and reinforcement exercises, with teaching demonstrations*** (including virtual, AI, etc.) ***and interactions*** being the primary forms.
- d. Evaluation: ***The emphasis on student evaluation is on selection and screening, mainly based on academic performance and test results.***

126. In addition to having academic Objectives and Contents, TAL employed the Methods and Evaluations called out in the Identification Guidelines.

127. TAL’s teaching methods closely resembled the Methods identified by the Identification Guidelines. TAL’s syllabi show that its classes consist of a series of lectures, or “teaching demonstrations [] and interactions.” A Beijing curriculum consultant told CaiLian (as stated in the CaiLian Report) that “[t]eachers will have pre-class and post-class assessments, and typically the last class serves as an evaluation to assess the child’s learning process.” The consultant added that “[t]hrough assessments and tests, it ultimately

comes down to putting pen to paper.” These “pre-lesson preparations” and “reinforcement exercises”, coupled with the TAL tutor’s “teaching demonstrations [] and interactions”, show that TAL employs the Methods identified in the Ministry of Education. Moreover, it is difficult to imagine how regular graded exams advances the claimed purpose of TAL’s enrichment classes, turning children into lifelong learners.

128. TAL Education’s classes are also stratified in exactly the way the Identification Guidelines warned is typical of how Evaluation is conducted in academic courses. Before the Double Reduction, TAL stratified its courses into three levels: sensitive learning, diligent learning, and S level. The S level was a special gifted class; students had to test into it. After the Double Reduction, TAL continued to offer courses at three difficulty levels. Indeed, it did not even bother to change the name of its highest-difficulty class; the three levels were A, A+, and S, in ascending order. And a curriculum advisor told a parent in CaiLian’s presence that students had to test into the S classes by taking a “unified selection exam” that would test their academic skills. Thus, TAL “select[ed] and screen[ed] [students] through evaluation and tests.”

5. *TAL Seeks Teachers For Academic Classes and Parents Report They Are Buying Academic Classes From TAL*

129. Various other facts made clear that TAL’s enrichment classes were disguised academic courses.

130. TAL posted job advertisements for teachers which made it clear that they would be teaching academic subjects. For example, CaiLian published two job advertisements that TAL Education had posted. Each position was identified as involving

“subject-based testing” in “mathematics” for “preschool children/elementary school students.” The jobs both required “educational research experience.” One of the positions was in Beijing; the other was in Shanghai. These job descriptions are not consistent with the Double Reduction nor with TAL’s representation that it no longer conducted tutoring on academic subjects.

131. TAL continued to post advertisements seeking subject-matter teachers. Plaintiffs found a pair of want ads for Beijing positions seeking an “Enrichment lead teacher—humanistic creation (elementary school Chinese)” and an “Enrichment lead teacher—creative thinking direction (elementary school mathematics)”. These advertisements both exposed the real academic subject matter of TAL’s classes (primary school Chinese and math, respectively) and the codes TAL employed to refer to the classes (humanistic creation and creative thinking). TAL sought another “Creative Thinking Teacher (Mathematics Focus)” for its Hangzhou offices and a “preschool teacher (mathematics)” in Foshan. TAL also sought an “Elementary school enrichment teacher—humanistic creation” in Nanjing, clarifying in the description of the position that it was a “Chinese” class. All of these positions were still open as of the end of June 2023.

132. Parents at the Beijing TAL office CaiLian visited told the reporter “[t]hey claim it’s enrichment education, but what we as parents are primarily interested in is the improvement of our children’s Chinese, math, and English abilities.” Another parent told CaiLian that his child’s end-of-semester exam in an elementary school class included contents that TAL had taught in its own classes.

133. TAL’s media and customer reviews showed that the parents were buying, and getting, academic tutoring. For example, in a July 2022 article, an educational industry professional summarized reviews of TAL Education’s 2022 online course curriculum. He wrote that Xueersi “closely follow[ed] the school’s curriculum”, demonstrating with examples (e.g., a screenshot from a TAL class demonstrating that the two sides of a parallelogram are the same length).¹²

6. *Chinese Governments Find TAL In Violation of Double Reduction Requirements*

134. Governments found TAL in violation of the Double Reduction almost from the start of its implementation, continuing through the end of the Class Period.

135. On or around January 20, 2022, Beijing’s Xincheng District found that TAL had violated Double Reduction regulatory requirements banning high school tutoring during the winter holiday. On or around January 28, 2022, the Beijing city government ordered TAL to refund *all* fees for all winter courses in Beijing.

136. Then, on or around May 6, 2022, Chongqing's Liangjiang New Area brought TAL in for an interrogation. Administrators found three principal deficiencies, including failure to cooperate with the government in reviewing tutoring contents to identify if they were academic subject tutoring, according to an article published on Sina on May 13, 2022.¹³

¹² <https://zhuanlan.zhihu.com/p/547355019>

¹³ <https://finance.sina.com.cn/chanjing/gsnews/2022-05-13/doc-imcwiwst7251888.shtml>

137. Then, on or around June 30, 2022, the Beijing Municipal Administration of Culture and Tourism revealed that it had fined TAL for publishing and disseminating prohibited content, pursuant to Article 24 of the *Regulations on the Management of Online Publishing Services*, apparently referring to materials that had not gone through the approval procedures required of academic tutoring materials.

138. Then on or around August 9, 2022, the Education Bureau of Panyu District, Gangzhou reported the results of its annual inspections. The Panyu District found that 335 schools were qualified, and only 14—including TAL—were unqualified. Without going into the specific reason each school was found unqualified, the article reporting on the findings disclosed that the possible failures included providing subject-matter training in the guise of non-academic training.

139. Then, on January 16, 2023, the Zhonglou District Education Bureau found that TAL violated the Double Reduction by offering academic tutoring. TAL received a Notice of Order to Correct and was told it would receive further inspections.

140. According to a March 23, 2023 Sohu article,¹⁴ in early to mid-2022, an inspection by the Honggutan District Education and Sports Bureau in Nanchang found that TAL Education was teaching academic subjects in the guise of non-academic tutoring. While TAL successfully concealed its misconduct from a November 2022 inspection, the inspectors returned in January and February 2023, and found that TAL was teaching a physics class in the guise of scientific literacy. The inspectors ordered TAL to remove all

¹⁴ https://www.sohu.com/a/658074104_121196194.

scientific literacy classes from their platform, issued a temporary shutdown, and warned TAL that if it violated the Double Reduction again, its tutoring license would be revoked.

VI. LOSS CAUSATION

141. On March 14, 2023, CaiLian News Agency, a news service owned by the Shanghai government, published an article revealing that TAL Education's committed pervasive violations of the Double Reduction (i.e., the CaiLian Report). The CaiLian Report alleged that TAL's classes, while nominally for enrichment, appeared to be academic classes and that TAL appeared to be tutoring ahead of students' grade levels. The CaiLian Report included several examples of violative syllabi and promotional materials, and reported conversations with parents and TAL employees revealing that TAL's "enrichment" classes were just academic after school tutoring classes.

142. The CaiLian Report circulated widely in the Chinese-language press. It also broke through English-language investor-oriented media, with Bloomberg publishing an article and both JP Morgan and China Securities Bank publishing analyst reports discussing it.

143. On March 14, 2023, the price of TAL's ADSs closed at \$6.12, down \$0.68 (10.0%) from its previous close.

VII. FALSE STATEMENTS

144. On January 14, 2022, TAL filed a current report on Form 6-K, which Defendant Peng signed. The 6-K provided, in relevant part:

On November 12, 2021, the Company issued a press release to announce that in response to the regulatory developments relating to after-school tutoring services, including the Opinions on Further Alleviating the Burden of

Homework and After-School Tutoring for Students in Compulsory Education, published in July 2021 by the General Office of the CPC Central Committee and the General Office of the State Council (the “Opinion” [i.e., the Double Reduction]) and the related implementation rules, regulations and measures promulgated by competent authorities, the Company decided to cease offering academic subjects to students from kindergarten through grade nine (“K9 Academic AST Services”) in the mainland of China by the end of December 2021.

The Company has completed the cessation by the due date and expects that the cessation will have a substantial adverse impact on the Company’s revenues for the fiscal year ending February 28, 2022 and subsequent periods. In the fiscal year ended February 28, 2021, the revenues from offering K9 Academic AST Services accounted for a substantial majority of the Company’s total revenues in the year.

By leveraging its leading-edge education technology, high quality content and extensive experience, the Company will continue to operate and develop the portion of its business that is not related to K9 Academic AST Services, and will also explore other opportunities to provide education services in accordance with relevant rules and regulations.

The Company will continue to seek guidance from and cooperate with government authorities in various provinces and municipalities in China in connection with its efforts to comply with the policy directives in the Opinion and any related implementation rules, regulations and measures. The Company will further adjust its business operations as required, and update its shareholders as appropriate.

145. Defendants’ statements were false because:

- a. TAL had not ceased offering academic courses. Instead, TAL had just renamed its academic courses to give the impression that they no longer concerned academic subjects. For instance, TAL renamed its math classes *Creative Thinking* and its Chinese classes *Humanistic Creation*;
- b. Defendants’ statement that TAL “will continue to seek guidance from and cooperate with government authorities in various provinces and municipalities in China in connection with its efforts to comply with the

policy directives in the Opinion and any related implementation rules, regulations, and measures” was a misleading statement of present fact because TAL was not, at the time Defendants made the statements, complying or attempting to comply with the Double Reduction. Instead, TAL was continuing to violate the Double Reduction and planned to conceal its violation by, for example, renaming its classes; and

- c. That TAL’s enrichment class revenues depended on violations of the Double Reduction was a material risk because the Chinese government could put TAL out of business whenever it decided to enforce its laws against TAL.

146. On April 29, 2022, TAL held a call to discuss its results for its 2022 Fiscal Year (i.e., the year ended February 28, 2022). In the call, Defendant Ding introduced TAL’s new enrichment classes:

Let me now spend some time to talk about the programs themselves. ***Science and creativity guides learners through observation, analysis, and application of various scientific phenomena and theories. The program is designed to develop learners' scientific curiosity and problem-solving capabilities.*** Coding and programming covers a broad range of computer science-related topics, including programming literacy, software development, algorithm, and et cetera. The program is designed to advance learners technological fluency and critical thinking skills. ***Humanities and aesthetics provide comprehensive learning at the intersection of history, art, and literature. The program is designed to cultivate learners' cultural and aesthetic literacy.*** Aside from the offerings mentioned above, we are actively developing additional programs. ***We have witnessed demand from our customers to develop as well-rounded people and lifelong learners. Our enrichment programs are designed to capture that demand.*** Enrichment learning will continue to be an important pillar in our business going forward.

147. Later in the call, Defendant Peng stated:

Q: Good evening, and thank you management for taking my question. And congratulations on turning profitable in a very challenging environment. My question is on your transition towards the non-academic tutoring. So could you share a bit more color on the transition more typically were coming from the typical angle after-school tutoring. So, what level of enrollments are we looking at? Any retention rate to share, and the margin outlook for the non-academic tutoring?

DEFENDANT PENG: Great. Thanks Felix. Another great question. Let me first recap a little bit what Jackson talked about before. So to start with, *the enrichment learning services, in terms of the subjects areas, are very different from academic after-school tutoring and services*, but the business model, if you look at that type of business model, it's somewhat similar to that of academic AST. *The product format is different. I mentioned the content format is different.* We provide enrichment learning services in both online and offline formats in various class sizes.

And we're also observing some interesting—yeah, we're making some interesting observations, that *these kinds of classes typical will foster a lot more interaction, a lot more student-driven activity, and we absolutely look forward to continue to innovate and optimize those offerings to our customers and their operations.* For sure, we're closely tracking the metrics that reflect the overall health and growth of the business. So we can continue to fine-tune the business model. So, I think it's really still too early to discuss the metrics themselves, but we'll come back to you as soon as possible. Thanks.

148. Defendants' statements were false because:

- a. The description of TAL's courses as "enrichment" was misleading in that the courses were actually academic tutoring classes;
- b. The "content" of TAL's academic classes was not different from academic tutoring courses. TAL's enrichment classes taught the same material as its pre-Double Reduction academic classes and its overseas academic classes. TAL's enrichment classes also covered the curriculum set out by the Ministry of Education;

- c. The “format” of TAL’s enrichment classes was not different from academic tutoring courses. TAL’s enrichment classes were taught in the traditional format, with a teacher speaking to students. TAL students completed homework assignments and exams, the latter of which, at least, TAL graded;
- d. TAL’s description of its “science and creativity” classes is false. In truth the main science and creativity class, *Creative Thinking*, was just a math class;
- e. TAL’s description of its “humanities and aesthetics” classes is false. In truth, the main humanities and aesthetics class, *Humanistic Creation*, was just a Chinese class;
- f. The clientele for TAL’s enrichment classes was not “customers [seeking] to develop as well-rounded people and lifelong learners,” but, instead, parents seeking after-school tutoring on academic subjects. TAL did not cater to these clients’ desire for personal growth; instead, TAL’s promotional materials emphasized that TAL’s courses matched the school curriculum;
- g. Defendants’ statements gave the misleading impression that TAL had terminated its after-school tutoring program and was complying with the Double Reduction, or at least attempting in good faith to do so; and
- h. That TAL’s enrichment class revenues depended on violations of the Double Reduction was a material risk because the Chinese government could put TAL out of business whenever it decided to enforce its laws against TAL.

149. On June 14, 2022, TAL filed its annual report on Form 20-F for the year ended February 28, 2022. Defendant Zhang signed the 2022 20-F. Zhang and Peng each signed certifications, pursuant to the Sarbanes-Oxley Act of 2002, providing that:

I have reviewed this annual report on Form 20-F of TAL Education Group

[] Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

150. In the 2022 20-F, Defendants stated:

We have been closely monitoring the evolving regulatory environment and are making efforts to seek guidance from and cooperate with the government authorities to comply with the Alleviating Burden Opinion and its implementation measures. ***In compliance with the Alleviating Burden Opinion Regarding Compulsory Education and applicable rules, regulations and measures, we ceased offering K9 Academic AST Services in mainland China by the end of December 2021.*** Such cessation has had a significant negative impact on our financial performance for the fiscal year ended February 28, 2022 since revenues from offering K9 Academic AST Services accounted for a substantial majority of our total revenues prior to our cessation of such business, and is expected to have a significant negative impact on our financial performance for the fiscal year ending February 28, 2023 and subsequent periods, compared with that of previous years. ***Due to the complexity and substantial uncertainty of the regulatory environment, we cannot assure you that our operations would be in full compliance with applicable laws, regulations and policies, including the Alleviating Burden Opinion and its implementation measures, in a timely manner, or at all.***

* * * * *

151. Defendants' statements were false because:

- a. TAL had not ceased offering academic courses. Instead, TAL had just renamed its academic courses to give the impression that they no longer concerned academic subjects. For instance, TAL called its math classes *Creative Thinking* and its Chinese classes *Humanistic Creation*;

- b. TAL was not attempting to comply with the Double Reduction. Instead, TAL was continuing to violate the Double Reduction and concealing its violations by, for example, renaming its classes; and
- c. That TAL's enrichment class revenues depended on violations of the Double Reduction was a material risk because the Chinese government could put TAL out of business whenever it decided to enforce its laws against TAL.

152. In the 2022 20-F, Defendants also stated:

Learning Services

We are currently offering, and evaluating, a broad range of learning programs that are aligned with our mission, core competencies, and learner demand. We deliver our learning services primarily through small classes, personalized premium services and online course offerings.

We launched our *enrichment learning* programs in recent years, such as *Science and Creativity*, Coding and Programing, and *Humanities and Aesthetics*. Equipped with our robust *content development* and technology capabilities, we are devoted to creating immersive, engaging, and holistic learning experiences to learners. *We have designed and implemented a leveled learning program for learners of different ages and differed interests.* In addition to the enrichment learning programs, we are continually providing academic tutoring services under the guidance from local government authorities in various provinces, municipalities and countries. Historically, we offered K9 Academic AST Services in mainland China, *which was ceased at the end of 2021 in compliance with regulatory policies promulgated in 2021.* The revenues from offering K9 Academic AST Services accounted for a substantial majority of our total revenues in the fiscal year 2021 and 2022.

Our primary *enrichment learning* offerings currently include following programs:

- *Science and Creativity guides learners through observation, analysis and application of various scientific phenomena and theories. The program is designed to develop learners' scientific curiosity and problem-solving capabilities.*

- *Coding and Programing* covers a broad range of computer-science related topics, including programing literacy, software development, algorithms and others. The program is designed to advance learners' technological fluency and critical thinking skills.
- ***Humanities and Aesthetics provides comprehensive learning at the intersection of history, art and literature. The program is designed to cultivate learners' cultural and aesthetic literacy.***

153. Defendants' statements were false because:

- a. The description of TAL's courses as "enrichment learning" was misleading in that the courses were actually academic tutoring classes. TAL's enrichment classes taught the same material as its pre-Double Reduction academic classes and its overseas academic classes. TAL's enrichment classes also covered the curriculum set out by the Ministry of Education. TAL's enrichment classes were taught in the traditional format of academic tutoring, with a teacher lecturing students on an academic subject. TAL students completed homework assignments and exams, the latter of which, at least, TAL graded;
- b. TAL had not ceased offering K-9 academic after-school services in mainland China. Instead, TAL had just renamed its academic courses to give the impression that they no longer taught academic courses. For instance, TAL called its math classes *Creative Thinking* and its Chinese classes *Humanistic Creation*;

- c. The description of TAL’s “science and creativity” classes is false. In truth TAL’s main science and creativity class, *Creative Thinking*, was just a math class;
- d. The description of TAL’s “humanities and aesthetics” classes is false. In truth, the main humanities and aesthetics class, *Humanistic Creation*, was just a Chinese class;
- e. TAL had not created “a leveled learning program for learners of different ages and differed interests”. Instead, TAL’s classes uniformly taught school subjects, regardless of students’ interest. TAL’s promotional materials directly targeted parents by emphasizing that TAL’s courses matched the school curriculum;
- f. Defendants’ statements gave the misleading impression that TAL had terminated its after-school tutoring program and was complying with the Double Reduction, or at least attempting in good faith to do so; and
- g. That TAL’s enrichment class revenues depended on violations of the Double Reduction was a material risk because the Chinese government could put TAL out of business whenever it decided to enforce its laws against TAL.

154. On July 29, 2022, TAL Education held a call to discuss its results for the quarter ended May 31, 2022. On the call, Defendant Ding stated:

In the first quarter, we improved products and services of our existing programs, leveraging our expertise in users' learning journey, as well as our knowledge in pedagogical methodologies. ***In addition to our current programs covering science and creativity***, coding and programming, ***and***

humanity and aesthetics, we also wrote out new programs such as international chess, rhetoric, and natural science learning.

155. Defendant Peng later stated:

First of all, learning services and other business continued to execute our existing programs while also launching a few new programs. ***We believe learning services are beginning to demonstrate a viable business model*** and will continue to drive the business around product portfolio expansion, experience optimization and operational efficiency.

156. Defendants' statements were false because:

- a. The description of TAL's courses as "enrichment learning" was misleading in that the courses were actually academic tutoring classes. TAL's enrichment classes taught the same material as its pre-Double Reduction academic classes and its overseas academic classes. TAL's enrichment classes also covered the curriculum set out by the Ministry of Education. TAL's enrichment classes were taught in the traditional format of academic tutoring, with a teacher lecturing students on an academic subject. TAL students completed homework assignments and exams, the latter of which, at least, TAL graded;
- b. The description of TAL's "science and creativity" classes is false. In truth TAL's main "science and creativity" class, *Creative Thinking*, was just a math class;
- c. The description of TAL's "humanities and aesthetics" classes is false. In truth, TAL's main "humanities and aesthetics" class, *Humanistic Creation*, was just a Chinese class;

- d. Peng’s description of learning services (which predominantly consists of TAL’s K-9 enrichment classes) as a “viable business model” was misleading because the segment depended on unlawfully ignoring the Double Reduction. Because the segment was steeped in illegal activity, the Chinese government could shut it down whenever it decided to enforce its laws against TAL.

157. In the question-and-answer portion of the call, Defendant Ding stated:

Q: Hi, management. Thank you very much for the presentation. This is Mark Li from Citi. May I ask a question on the enrichment learning program? Could you share a bit more on the operating metrics such as the retention rate and ASP and any more subjects or classes that you may expand down the road? Thank you.

DEFENDANT DING: Yes, Mark. Thanks for the question. *I would say our enrichment learning team and business have been primarily focused on two things. One is product and service center adaptation across various enrichment programs. And two, finding the right learning processes and user journeys for our learners and improving their satisfaction.* We believe operating metrics are end results of such operational focuses.

At this point, enrichment learning business is still at its early stage. We're still in process of optimizing various operational metrics, but we also see some early trends of this business. ASP for the quarter remains relatively stable compared to that before the whole business restructure.

* * * * *

158. Defendants’ statements were false because:

- a. The description of TAL’s courses as “enrichment learning” was misleading in that the courses were actually academic tutoring classes. TAL’s enrichment classes taught the same material as its pre-Double Reduction academic classes and its overseas academic classes. TAL’s enrichment classes also

covered the curriculum set out by the Ministry of Education. TAL's enrichment classes were taught in the traditional format of academic tutoring, with a teacher lecturing students on an academic subject. TAL students completed homework assignments and exams, the latter of which, at least, TAL graded;

- b. To develop its enrichment courses, TAL had simply changed the names of its existing academic tutoring class, such that any "adaptation" was minimal;
- c. TAL's enrichment learning business was not in its "early stage". Instead, enrichment learning was the same academic tutoring TAL had perfected over more than a decade;
- d. Defendants' statements gave the misleading impression that TAL had terminated its after-school tutoring program and was complying with the Double Reduction, or at least attempting in good faith to do so; and
- e. That TAL's enrichment revenues depended on violations of the Double Reduction was a material risk because the Chinese government could put TAL out of business whenever it decided to enforce its laws against TAL.

159. On October 28, 2022, TAL held a call to discuss its results for the quarter ended August 31, 2022.

160. Defendant Peng stated:

First, for our learning services business, we'll continue with our efforts in advancing product development, optimizing our go-to-market strategy, and further exploring opportunities in overseas markets. ***We believe its healthy business model combined*** with our strong branding and operational

efficiency will enable us to be well-positioned to capture the market opportunities and deliver long-term value.

161. Defendant Peng's statement was false because his description of learning services (which predominantly consists of TAL's K-9 enrichment classes) as "healthy" was misleading because the business depended on unlawfully ignoring the Double Reduction. Moreover, reasonable market participants actually ascribed value to Defendants' misrepresentation that TAL's classes were compliant, deeming this a competitive advantage, as shown by the December 29, 2022 Huatai report, among others.

162. On November 1, 2022, TAL filed an amendment to the 2022 20-F. Defendant Zhang signed the 2022 20-F. Zhang and Peng each signed certifications, pursuant to the Sarbanes-Oxley Act of 2002, providing that:

I have reviewed this annual report on Form 20-F of TAL Education Group

[] Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

163. In the 2022 20-F amendment, Defendants stated that:

We have been closely monitoring the evolving regulatory environment and are making efforts to seek guidance from and cooperate with the government authorities to comply with the Alleviating Burden Opinion and its implementation measures. In compliance with the Alleviating Burden Opinion Regarding Compulsory Education and applicable rules, regulations and measures, ***we ceased offering K9 Academic AST Services in mainland China by the end of December 2021.*** Such cessation has had a significant negative impact on our financial performance for the fiscal year ended February 28, 2022 since revenues from offering K9 Academic AST Services accounted for a substantial majority of our total revenues prior to our cessation of such business, and is expected to have a significant negative impact on our financial performance for the fiscal year ending February 28, 2023 and subsequent periods, compared with that of previous years. ***Due to***

the complexity and substantial uncertainty of the regulatory environment, we cannot assure you that our operations would be in full compliance with applicable laws, regulations and policies, including the Alleviating Burden Opinion and its implementation measures, in a timely manner, or at all.

* * * * *

164. Defendants' statements were false because:

- a. TAL had not ceased offering K-9 academic after-school services in mainland China. Instead, TAL had just renamed its academic courses to give the impression that they no longer taught academic materials. For instance, TAL renamed its math class *Creative Thinking* and its Chinese class *Humanistic Creation*;
- b. TAL was not attempting to comply with the Double Reduction. Instead, TAL was continuing to violate the Double Reduction and planned to conceal its violation by, for example, renaming its classes; and
- c. That TAL's enrichment revenues depended on violations of the Double Reduction was a material risk because the Chinese government could put TAL out of business whenever it decided to enforce its laws against TAL.

165. On January 19, 2023, TAL held a call to discuss its Q3 2023 results (i.e., for the quarter ended October 30, 2022). On the call, Defendant Peng stated:

Although the revenue of this quarter was affected by exchange rate fluctuations and seasonality, our new business has maintained the momentum of continuous development. We expect our main businesses to continue to develop in the next few quarters. The first, our learning services and other business, we'll continue to strengthen the quality of the products and services, while also gradually roll-out more programs and increase our physical footprint. We are a believer of *enrichment learning* and all-around development. As the market for *enrichment learnings* pickups, we plan to

leverage our (inaudible) learning and our operational knowhow to further serve our customers.

166. Defendant Peng's description of TAL's courses as "enrichment learning" was misleading in that the courses were actually academic tutoring classes. TAL's "enrichment" classes taught the same material as its pre-Double Reduction academic classes and its overseas academic classes. TAL's "enrichment" classes also covered the curriculum set out by the Ministry of Education. TAL's enrichment classes were taught in the traditional format of academic tutoring, with a teacher lecturing students on an academic subject. TAL students completed homework assignments and exams, which TAL graded.

VIII. ADDITIONAL FACTS FURTHER PROBATIVE OF SCIENTER

A. TAL's Curriculum and Promotional Materials Are Uniform and Created and Approved By Its Beijing Headquarters

167. Former TAL employees consistently reported that TAL is centralized, with the bulk of its curriculum and promotional materials developed by its Beijing Headquarters in which Defendants worked.

168. TAL offers both online and offline services. Offline services are offered in learning centers. Defendants disclosed that TAL operated between 100 and 150 learning centers as of May 31, 2022, rising to 170 by the end of February 2023.

169. According FE 1 and FE 5, learning centers had no autonomy: they used materials produced by others to teach curricula set by others which they sell with promotional materials also created by others. Each of TAL's major markets¹⁵ had a regional

¹⁵ According to TAL's SEC filings, these are Beijing, Shanghai, Guangzhou, Shenzhen, and Nanjing.

headquarters. Any promotional materials, curricular materials, or the like, were created and overseen by the regional headquarters or TAL's centralized divisions.

170. According to FE 1 and FE 5, anything that bore the logo of TAL Education subsidiaries' logo (a series of Chinese characters followed by a question mark), or their mascot (a monkey bearing various scholarly accoutrements), needed to be approved by TAL's Beijing headquarters. Regional headquarters had limited autonomy.

171. For example, according to FE 7, FE 8, and FE 9, regional headquarters might approve promotional material that merely filled in class locations and hours that were based on information TAL's Headquarters approved. TAL's headquarters decided what materials could be taught in various classes, their syllabi, and curricula.

172. According to FE 6, promotional materials vary very little from city to city because they follow the structure set by TAL's headquarters.

173. According to FE 5, all offline promotional and course materials must be approved by the Group Subject Department, based out of TAL's Beijing headquarters. According to FE 7, "the approval department is only at the headquarters. All the approvals are at the headquarters. Branches don't have that authority" (i.e., to approve curriculum).

174. According to FE 1, TAL's centralized business groups created course curricula and materials. They are then sent to each department so they are aware of the course, can prepare promotional materials.

175. According to FE 2, while the Beijing office had primary responsibility for developing the curriculum, there was a small team located in TAL's Shanghai office which

also helped draft materials. According to FE 2, no other offices were involved in developing course materials.

176. According to FE 2, TAL was still developing academic materials when FE 2 left in June 2022.

177. According to FE 7 and FE 8, while TAL had separate online and offline groups, they used the same curricula. Online course creators simply took the textbooks created by the offline group and changed the order somewhat. Online courses’ “change[s] are] in format rather than in content.”

178. Further, the government kept TAL abreast of its thoughts. According to FE 1, the Beijing municipal government held seminars with and interviewed TAL’s leaders.

179. Chinese media outlets corroborate TAL employees’ reports. According to the May 13, 2022 Sina article, noncompliance “risks may have significant implications for [TAL], particularly in the context of its standardized product strategy and nationwide course upgrades.”

180. Defendants had access to all course materials. According to FE 1, TAL had a central database of all course materials. Moreover, Zheng and Peng have separate executive permissions for all business groups.

B. A Media Campaign Called Attention To Academic Courses Disguised As Enrichment Learning

181. On October 28, 2021, Caixin published an article titled *China’s Capital Takes Aim at Tutoring Industry Segment That Escaped Crackdown*; the titular industry segment was non-academic tutoring. The article reported that the city of Beijing “is tightening

oversight on after-school tutoring companies that offer courses on subjects outside the core school curriculum.”

182. Then, in early February 2022, the Ministry of Education ordered local authorities to crack down on “academic tutoring offered under the guise of household services or winter camps [] adding that authorities should conduct round-the-clock inspections of all online platforms using a combination of technology and workers to root out online academic tutoring.”

183. At least rhetorically, the Double Reduction continued to be a priority for the Ministry of Education. Indeed, according to a March 9, 2022 *China Daily* article, the Ministry of Education listed the Double Reduction as one of its top priorities for 2022.

184. In an October 27, 2022 article, the Shanghai Daily reported on efforts to conceal academic tutoring in non-academic classes. “For example, maths has become ‘fun innovation.’ In other, more ludicrous cases, tutors conceal academic tutoring as Live-Action Roleplaying Games, including (for example) an escape-the-room game where children must solve math problems. There have been reports of former tutorials morphing into cafés where children can sit for a cup of coffee priced at 300 yuan (US\$43) and then be instructed on individual subjects.”¹⁶

185. Spurred on by media reports, on December 12, 2022, twelve departments jointly released the *Opinions on Further Enhancing the Prevention and Management of Covert Academic AST*.

¹⁶ Lixin Wan, *Hothouse tutorials by any other name smell equally obnoxious*, Shine news October 26, 2022, available at <https://www.shine.cn/opinion/2210261895/>

C. TAL's Enrichment Segment Is Critical to TAL's Health and TAL Misleadingly Distances Itself From Its Actions After the CaiLian Report

186. Defendants also had actual knowledge that enrichment education was no more than academic tutoring because the segment was critical to TAL's earnings and prospects. TAL's learning services segment accounted for about 70% of its revenues, while enrichment learning for children in compulsory schooling accounted for about 60% of learning services. Thus, enrichment classes accounted for 40-45% of TAL's revenues.

187. TAL has acknowledged that the content identified in the CaiLian Report violated the Double Reduction. On March 14, 2023, TAL posted a statement responding to the CaiLian Report which provided, in relevant part:

The related reports mentioned that some individual offline Xue'ersi [TAL's brand] stores *had issues with non-standard course promotion content and lax teaching content*. This goes against Xue'ersi's internal management norms. *We attach great importance to this matter and have immediately initiated an internal investigation*. Currently, we have arranged comprehensive inspections at Xue'ersi branches across the country. If any violations are found, they will be dealt with seriously, and there will be no tolerance for such behavior.

188. TAL's statement is also a false exculpatory statement. Plaintiffs obtained syllabi for the same courses as the CaiLian Report, after TAL's response. The materials Plaintiffs and CaiLian obtained were substantially equivalent. Moreover, TAL's headquarters was required to approve all the promotional materials the CaiLian reporters obtained. The materials CaiLian obtained were standard and Defendants knew it.

IX. CLASS ACTION ALLEGATIONS

189. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class consisting of all persons or entities who purchased or otherwise acquired TAL American Depositary Shares (“ADSs”) from January 14, 2022 through March 14, 2023, both dates inclusive (“Class Period”), and held their ADSs until at least March 14, 2023, seeking to recover damages based on Defendants’ violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”). Excluded from the Class are (i) Defendants, (ii) officers and directors of TAL, and any subsidiaries thereof, (iii) the family members, heirs, assigns, and legal representatives of all persons set out in (i) and (ii), and (iv) all entities controlled by the persons set out in (i)-(ii).

190. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, TAL ADSs were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiffs at this time and can be ascertained only through appropriate discovery, Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by TAL or its transfer agent, or brokers, and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

191. Plaintiffs’ claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal law that is complained of herein.

192. Plaintiffs will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

193. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of TAL;
- whether the Individual Defendants caused TAL to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of TAL ADSs during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

194. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively

small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

X. APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD ON THE MARKET)

195. The market for TAL's ADSs was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, TAL's ADSs traded at artificially inflated prices during the Class Period. Plaintiffs and other members of the Class purchased or otherwise acquired the Company's ADSs relying upon the integrity of the market price of TAL's ADSs and market information relating to TAL, and they have been damaged thereby.

196. During the Class Period, the artificial inflation of TAL's ADSs was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiffs and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about TAL's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of TAL and its business, operations, and prospects, thus causing the price of the Company's ADSs to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company ADSs. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiffs and other

members of the Class purchasing the Company's ADSs at such artificially inflated prices, and each of them has been damaged as a result.

197. At all relevant times, the market for TAL's ADSs was an efficient market for the following reasons, among others:

a. TAL ADSs met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

b. As a regulated issuer, TAL filed periodic public reports with the SEC and/or the NYSE;

c. On average, 9% of TAL's outstanding ADSs traded every week, permitting a *very strong* presumption of efficiency;

d. TAL regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

e. TAL was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace;

f. At least 20 firms made a market in TAL ADSs;

g. New company-specific information was rapidly reflected in TAL's ADSs' price; and

h. TAL met the requirements for filing a Registration Statement on Form S-3.

198. As a result of the foregoing, the market for TAL's ADSs promptly digested current information regarding TAL from all publicly available sources and reflected such information in TAL's ADSs' price. Under these circumstances, all purchasers of TAL's ADSs during the Class Period suffered similar injury through their purchase of TAL's ADSs at artificially inflated prices and a presumption of reliance applies.

XI. COUNT I

For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder Against All Defendants

199. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

200. This Count asserted against Defendants is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

201. During the Class Period, Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

202. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;

- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of the Company's securities during the Class Period.

203. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of the Company, their control over, and/or receipt and/or modification of the Company's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning the Company, participated in the fraudulent scheme alleged herein.

204. The Individual Defendants, who are senior executives and/or directors of the Company, had actual knowledge of the material omissions and the falsity of the material statements set forth above, and intended to deceive Plaintiffs and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to

ascertain and disclose the true facts in the statements made by them or other Company's personnel to members of the investing public, including Plaintiffs and the Class.

205. As a result of the foregoing, the market price of the Company's ADSs was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiffs and the other members of the Class relied on the statements described above and/or the integrity of the market price of the Company's ADSs during the Class Period in purchasing the Company's ADSs at prices that were artificially inflated as a result of Defendants' false and misleading statements.

206. Had Plaintiffs and the other members of the Class known that the market price of the Company's ADSs had been artificially and falsely inflated by Defendants' misleading statements and by the material adverse information which Defendants did not disclose, they would not have purchased the Company's ADSs at the artificially inflated prices that they did, or at all.

207. As a result of the wrongful conduct alleged herein, Plaintiffs and other members of the Class have suffered damages in an amount to be established at trial.

208. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of the Company's securities during the Class Period.

XII. COUNT II

Violations of Section 20(a) of the Exchange Act Against the Individual Defendants

209. Plaintiffs repeat and reallege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

210. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company's business affairs. Because of their senior positions, they knew the adverse non-public information about the Company's misstatement of outflows.

211. As officers and directors of a public business, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to the Company's financial condition and results of operations, and to correct promptly any public statements issued by the Company which had become materially false or misleading.

212. Because of the positions of control and authority as senior executives and directors, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which the Company disseminated in the marketplace during the Class Period concerning the Company's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause the Company to engage in the wrongful acts complained of herein. The Individual Defendants, therefore, were "controlling person" of the Company within the

meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Company ADSs.

213. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

XIII. PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, on behalf of themselves and the Class, pray for judgment and relief as follows:

- (a) declaring this action to be a proper class action, certifying Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure and designating Plaintiffs' counsel as Lead Counsel;
- (b) awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;
- (c) awarding Plaintiffs and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) awarding Plaintiffs and other members of the Class such other and further relief as the Court may deem just and proper.

XIV. JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: October 16, 2023

THE ROSEN LAW FIRM, P.A.

/s/Laurence M. Rosen

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class*

CERTIFICATE OF SERVICE

I hereby certify that on October 16, 2023, a true and correct copy of the foregoing document was served by CM/ECF to the parties registered to the Court's CM/ECF system.

/s/Jonathan Horne